

**From:** Gundrum, Michele M. DPI  
**Sent:** Thursday, August 07, 2014 8:41 AM  
**To:** Gundrum, Michele M. DPI  
**Subject:** SFS Auditor Update: 8/7/14

Good morning,

**The first three sections of this note apply to all districts. The last section applies to districts that have a Fund 73 Employee Benefit Trust. For questions regarding any of this information, please contact Michele Gundrum at [michele.gundrum@dpi.wi.gov](mailto:michele.gundrum@dpi.wi.gov) or 608-267-9218.**

**Pension (supplemental stipends), OPEB and Compensated Absences reminders**

Due to some inconsistencies in a few actuarial valuations that DPI has received, we are putting out very general reminders about the GASB statements relating to these benefits. The actuarial valuations should be consistent with the GASB guidance relating to the type of benefit. It is important that these are correct for the financial statement presentation and for districts relying on this information to fund a trust.

**GASB 16** is used for compensated absences. This includes sick leave, vacation and sabbatical leave. Districts do not typically receive actuarial valuations on these benefits. However, if the sick leave is converted into a time frame of coverage for medical insurance, this is an OPEB benefit valued under GASB 45. Sick leave converted into a dollar amount of benefit is not considered an OPEB benefit and the expenditure is not allowed until the payments are paid to the employee. Prefunding this is very uncommon. If any of your districts are prefunding compensated absences into the trust, contact a School Finance Auditor at DPI for correct guidance. Note that if sick leave is converted to a dollar amount and applied toward continued medical coverage, there may be an implicit rate subsidy. In this case, the implicit rate subsidy (alone) is considered an OPEB.

**GASB 27** (or the new GASB 68) is for pensions and other pension benefits such as stipends, TSA, 403(b) or other cash related benefits not included in GASB 16. GASB Statement 50 indicates that these benefits must be valued in the same manner as OPEB, but separately.

**GASB 45** is applied to OPEB benefits. Per the GASB definition, these are post employment benefits other than pension benefits. This includes post employment healthcare benefits and all postemployment benefits provided separately from a pension plan, excluding termination benefits. Some of the common OPEB benefits districts have are medical, dental, life and long-term care insurances and HRAs. In most cases, if the district retains retirees on the medical plan, even if the retiree pays 100% of the premium, there will still be a liability for the implicit rate subsidy. If accrued sick leave is converted into a time frame of coverage (used to enhance a defined benefit OPEB), it is accounted for as OPEB.

**Preparation of the Note Disclosures and Required Supplementary Information**

Some inconsistencies in the calculation of certain values on the OPEB notes on the financial statements have been seen. A few of the problem areas are the computation of the "Interest on net OPEB obligation" and the "Adjustment to annual required contribution." Both of these calculations are addressed in GASB 45, paragraphs 14-16 and more detailed in paragraph 205 (Appendix C).

The Schedule of Funding Progress should include data on the most recent valuation and the two preceding valuations. Some financial statements have had missing data from the two preceding valuations.

**Late Studies**

Many districts receive their new studies after year end. If a district has a Fund 73 trust, for the purposes of DPI transactions, districts should use the study they have at the time of the contribution. This means they would use the ARC, implicit rate subsidy factor or percentage and other values from the study in determining the amount to

contribute and the implicit rate subsidy payback. However, if the district does require a new study and does not have the study completed in time for the issuance of the financial statements, a modified opinion should be issued. If this is the case, please contact Michele Gundrum. DPI does not generally accept modified opinions and if one is issued, the district must have the issue resolved for the next year.

**Fund 73 audit program**

Please use the Fund 73 audit program if a district contributes to Fund 73. Using the audit program may help alleviate late adjustments during the DPI review of the district's information. The audit program has been split into two sections for FY14. The first section is for traditional defined benefit OPEB and supplemental pension and the second section is for defined contribution benefits, most commonly HRAs that are fully funded in the year earned. Please follow the audit program located here: <http://sfs.dpi.wi.gov/files/sfs/xls/Fund73.xls>

Thanks,  
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